

Vita Classic – adjustment of conversion rate from January 1, 2020

As a responsible pension fund, the Vita Joint Foundation is proactively reacting to the increase in life expectancy and continuous low capital earnings. From January 1, 2020 it will be adjusting its conversion rate.

What is a conversion rate?

The conversion rate is used to convert pension savings into a pension. The pension savings accumulated at the time of retirement are multiplied by the conversion rate and thus converted into a life-long pension. Given a capital of CHF 100,000, a conversion rate of 6% results in a life-long old-age pension of CHF 6,000 a year. Hence, the amount of the old-age pension depends on the conversion rate and accumulated pension savings.

What will change on January 1, 2020?

A uniform, so-called comprehensive conversion rate will be applied. The conversion rate of 6% will be applied to the entirety of the retirement savings from January 1, 2020. The comprehensive conversion rate will then be further lowered in two steps to 5.8% by 2022. Due to the uniform conversion rate of 6%, the complex distinction between the mandatory and extra-mandatory retirement savings will disappear.

Why is the Vita Joint Foundation adjusting its conversion rate?

Increasing life expectancy and the long-lasting low interest rate phase has resulted in pensioners being paid more than they themselves could accumulate in the past. The missing funds have to be financed by the active insured, with corresponding negative effects on their future retirement benefits. This cross-financing is termed redistribution. As a responsible pension fund, it is necessary to counter this undesirable development with suitable measures.

Who is affected by the adjustments?

The adjustments affect those insured who will retire after January 1, 2020 and who opt for an old-age pension. The current split conversion rates apply to retirements up to December 31, 2019.

Are the already retired affected by this adjustment?

No, current old-age pensions are not affected by this adjustment.

Where can the information on the personal old-age pension be found?

The insurance certificate contains the personal information. This is a projection and therefore the information is provisional. The pension information on the 2019 pension certificate does not yet take the adjustments as of January 1, 2020 into account. Please contact our Help Point BVG (phone 0800 80 80 80) for an advance calculation of your personal old-age pension.

Does the adjustment of the conversion rate affect the amount of retirement savings?

No, the lowering of the conversion rate does not have any effect on the amount of the retirement savings.

Why can the Vita Joint Foundation lower the conversion rate below the level of the statutory conversion rate of 6.8%?

The Foundation Board is responsible for determining the amount of a comprehensive conversion rate. However, in order to guarantee the statutory minimum pension, a comparison between the pension amount resulting from application of the regulation conversion rate and the statutory conversion rate for every old-age pension calculation is made. Consequently, the statutory minimum is always guaranteed.

How is the old-age pension calculated using the comprehensive conversion rate?

Example calculation: Man, normal retirement (age 65) in 2020, total retirement savings: CHF 500,000 (CHF 300,000 BVG mandatory and CHF 200,000 extra-mandatory retirement savings). The total retirement savings are converted with the comprehensive conversion rate of 6% into an old-age pension. For purposes of comparison, this is followed by conversion of the BVG mandatory pension with the statutory conversion rate (6.8%). The higher annual old-age pension of CHF 30,000 is paid out.

Retirement savings in CHF	CR ¹⁾	Old-age pension in CHF
500,000 (total)	6.0%	30,000
300,000 (of which BVG mandatory pension)	6.8%	20,400

1) Conversion rate

Example calculation 2: Woman, normal retirement (age 64) in 2020, total retirement savings CHF 300,000 (CHF 280,000 BVG mandatory pension and CHF 20,000 extra-mandatory retirement savings). The total retirement savings are converted with the comprehensive conversion rate of 6% into an old-age pension. For purposes of comparison, this is followed by conversion of the BVG mandatory pension with statutory conversion rate (6.8%). The higher annual old-age pension of CHF 19,040 is paid out.

Retirement savings in CHF	CR ¹⁾	Old-age pension in CHF
300,000 (total)	6.0%	18,000
280,000 (of which BVG mandatory pension)	6.8%	19,040

1) Conversion rate

Which conversion rate is used to calculate the old-age pension?

The current split conversion rates apply up to December 31, 2019. From January 1, 2020 the new comprehensive conversion rates for the respective age will be applied.

Conversion rates up to December 31, 2019

Age	Men		Women	
	BVG mand.	non-mand.	BVG mand.	non-mand.
58	5.821%	5.22%	5.714%	5.30%
59	5.890%	5.31%	5.918%	5.40%
60	5.962%	5.41%	6.129%	5.50%
61	6.061%	5.51%	6.349%	5.61%
62	6.232%	5.62%	6.576%	5.73%
63	6.415%	5.73%	6.686%	5.86%
64	6.605%	5.86%	6.800%	6.00%
65	6.800%	6.00%	6.918%	6.15%
66	6.929%	6.15%	7.041%	6.31%
67	7.064%	6.31%	7.171%	6.48%
68	7.205%	6.47%	7.306%	6.66%
69	7.356%	6.65%	7.452%	6.86%
70	7.516%	6.84%	7.606%	7.08%

Conversion rates from 2020

Age	from 01.01.2020		from 01.01.2021		from 01.01.2022	
	Men	Women	Men	Women	Men	Women
58	4.95%	5.10%	4.85%	5.00%	4.75%	4.90%
59	5.10%	5.25%	5.00%	5.15%	4.90%	5.05%
60	5.25%	5.40%	5.15%	5.30%	5.05%	5.20%
61	5.40%	5.55%	5.30%	5.45%	5.20%	5.35%
62	5.55%	5.70%	5.45%	5.60%	5.35%	5.50%
63	5.70%	5.85%	5.60%	5.75%	5.50%	5.65%
64	5.85%	6.00%	5.75%	5.90%	5.65%	5.80%
65	6.00%	6.20%	5.90%	6.10%	5.80%	6.00%
66	6.20%	6.40%	6.10%	6.30%	6.00%	6.20%
67	6.40%	6.55%	6.30%	6.45%	6.20%	6.35%
68	6.55%	6.70%	6.45%	6.60%	6.35%	6.50%
69	6.70%	6.85%	6.60%	6.75%	6.50%	6.65%
70	6.85%	7.00%	6.75%	6.90%	6.65%	6.80%

Important note:

The purpose of this leaflet is to provide you with information. However, the following documents are decisive: the pension regulations of the Vita Joint Foundation, the partial liquidation regulations, the provisions of the Federal Law on Occupational Retirement, Survivors' and Disability Plans, the Vested Benefits Act and the associated ordinances.



Do you have any questions?

As affiliated company

For more information on the subject "Adjustment of the conversion rate from January 1, 2020", the advisor responsible for your contract is pleased to assist you.

As insured person

Do you have questions about your individual pension situation? Give us a call: the Help Point BVG (phone 0800 80 80 80) is available from Monday through Friday from 8 a.m. to 6 p.m. for any questions about occupational pension plans.

Visit us at: → vita.ch